

Message Text

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PAGE 01 STATE 270794

70

ORIGIN IO-10

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 INRE-00 NSCE-00 SSO-00 AGR-10 IGA-01

SWF-01 H-02 PA-02 PRS-01 /106 R

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK IMMEDIATE

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E.O. 11652: N/A

TAGS: ESCAP, EAID

SUBJECT: ECON PLANNING MEETING

REF : BANGKOK 19269

1. REGRET UNABLE IN SHORT SPAN OF TIME PRODUCE BREAKOUTS REQUESTED REFTEL. IN ANY CASE 1973 DATA IS LATEST AVAILABLE. 75 AND 76 FIGURES REQUESTED EITHER NOT IMMEDIATELY AVAILABLE OR NOT SUITABLE FOR USE IN UN FORUM.

2. BEST READILY AVAILABLE INFO IS FOLLOWING (PARAS 3 - 7) FROM 45 REVIEW AND APPRAISAL REPORT STILL IN PROCESS PREPARATION AND SUBMISSION. APPRECIATE THIS IS NOT EXACTLY WHAT YOU REQUESTED BUT BEST WE CAN DO UNDER SHORT TIME CONSTRAINT.

UNCLASSIFIED

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PAGE 02 STATE 270794

3- TOTAL FLOWS IN 1973 FROM US TO DEVELOPING COUNTRIES

REMAINED CLOSE TO 1972 LEVEL OF ABOUT \$7.5 BILLION. MAINTENANCE OF TOTAL FLOW LEVEL RESULTS PRIMARILY FROM CONTINUED INCREASE IN OFFICIAL EXPORT CREDITS AND GRANTS BY PRIVATE VOLUNTARY AGENCIES. GRANTS BY PRIVATE VOLUNTARY AGENCIES ALONE ROSE BY \$236 MILLION TO \$905 MILLION IN 1973, WHICH SUBSTANTIALLY EXCEEDS TOTAL ODA PROGRAMS OF ALL BUT FOUR DAC MEMBERS. TOTAL FLOWS AS

PROPORTION OF GNP DECLINED SLIGHTLY, FROM 0.66 PERCENT IN 1972 TO 0.58 PERCENT IN 1973. WHILE US WILL CONTINUE AND STRENGTHEN ITS LONG-STANDING COMMITMENT TO INTERNATIONAL DEVELOPMENT, IT IS UNLIKELY THAT TOTAL FLOWS AS PROPORTION OF GNP WILL INCREASE TO ONE PERCENT.

4. IN 1973, US NET OFFICIAL DEVELOPMENT ASSISTANCE (ODA) DISBURSEMENTS WERE SLIGHTLY UNDER \$3 BILLION, REPRESENTING 0.23 PERCENT OF GNP. US IS BY FAR LARGEST INDIVIDUAL DONOR IN DAC, CONTRIBUTING 32 PERCENT OF NET ODA DISBURSEMENTS IN 1973. US WILL CONTINUE MAKE EVERY EFFORT MAINTAIN ITS ODA FLOWS, HOWEVER, IT UNLIKELY THAT US ODA AS PROPORTION OF GNP WILL INCREASE TO 0.7 PERCENT LEVEL IN FORESEEABLE FUTURE.

5. DURING 1973, AID CONTINUED CONSOLIDATE EARLIER EFFORTS TO MOVE TOWARD ORGANIZATIONAL AND PROGRAMMING APPROACHES WHICH RECOGNIZE BOTH INCREASED LDC CAPACITY TO MANAGE AND DIRECT OWN DEVELOPMENT AND NEED TO STRUCTURE ASSISTANCE IN ACCORDANCE WITH CIRCUMSTANCES FACED BY INDIVIDUAL LDSCS. IN THIS CONTEXT US IS ACTIVELY PURSUING POLICY OF MATCHING TYPE OF ASSISTANCE TO NEEDS OF LDSCS. AS SUCH, US TRIES TO CONCENTRATE ITS MOST CONCESSIONAL ASISISTANCE IN POOREST LDSCS WHILE LESS CONCESSIONAL RESOURCE FLOWS ARE DIRECTED AT MORE DEVELOPED LDSCS. AID IS ALSO MAKING EFFORT TO INCREASE ASSISTANCE TO 25 LEAST DEVELOPED COUNTSRIES. AID FLOWS TO THESE COUNTRIES HAVE STEADILY INCREASED FROM \$58 MILLION IN FY 1970 TO \$116 MILLION IN FY 1972 AND TO PROPOSED LEVEL OF \$130 MILLION IN FY 1974.

6. THE FINANCIAL TERMS OF US ODA ARE VERY SOFT. GRANT ELEMENT OF TOTAL ODA COMMITMENTS WHICH ROSE FROM 87.2 UNCLASSIFIED

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PAGE 03 STATE 270794

PERCENT IN 1972 TO 89.9 PERCENT IN 1973 COMPLIED WITH 1972 DAC TERMS RECOMMENDATION. AN INCREASE IN SHARE OF GRANTS IN TOTAL COMMITMENTS (FROM 63.2 PERCENT IN 1972 TO 68.3 IN 1973) REFLECTING GROWTH OF MULTILATERAL COMMITMENTS (FROM 25.8 PERCENT OF TOTAL ODA IN 1972 TO 29.2 PERCENT IN 193) ACCOUNTED FOR BULK OF IMPROVEMENT. ODA LOAN TERMS ALSO SOFTENED AS MATURITY AND GRACE PERIODS OF PL 480 FOOD AID LOANS LENGTHENED BY 4.2 AND 1.8 YEARS RESPECTIVELY.

NO CHANGE TOOK PLACE IN INTEREST RATE CHARGED BY EXPORT-IMPORT BANK IN 1973. TERMS OF AID LOANS ALSO REMAINED SAME: TWO PERCENT DURING TEN-YEAR PRINCIPAL GRACE PERIOD AND THREE PERCENT DURING FOLLOWING THIRTY-YEAR PRINCIPAL REPAYMENT PERIOD.

7. US HAS CONTINUED FOREIGN ASSISTANCE PROCUREMENT POLICIES ANNOUNCED IN SEPTEMBER 1971, PERMITTING PROCUREMENT IN ELIGIBLE DEVELOPING COUNTRIES UNDER AID DEVELOPMENT

LOANS. DEVELOPMENT LOANS, WHICH MAY ACCOUNT FOR UP TO \$500 MILLION OF AID'S BILATERAL DEVELOPMENT ASSISTANCE PROGRAM IN FY 1974, ARE UNTIED FOR PROCUREMENT IN DEVELOPING COUNTRIES. AID DEVELOPMENT GRANTS AND SUPPORTING ASSISTANCE FUNDS MAY BE SPENT ONLY FOR PURCHASE OF US GOODS AND SERVICES EXCEPT IN SPECIAL CIRCUMSTANCES. AS OF DECEMBER 1, 1973, CUMULATIVE UNTIED PROCUREMENT IN LDCS TOTALED \$75.2 MILLION, OF WHICH \$47.4 MILLION REPRESENTED TRANSACTIONS IN CY 1973. SOME OF MAIN SOURCE COUNTRIES FOR THIS PROCUREMENT WERE TAIWAN, KOREA, SINGAPORE, THAILAND, PANAMA, LIBERIA, INDIA, AND ARGENTINA. IN ADDITION, USG, IN CONTEXT ITS EFFORTS TO REACH POOREST SEGMENTS OF DEVELOPING COUNTRIES BY FOCUSING ON PRIORITY SECTORS OF FOOD AND NUTRITION, POPULATION PLANNING AND HEALTH, AND EDUCATION AND HUMAN RESOURCES, HAS EXPANDED ITS USE OF LOCAL CURRENCY FINANCING. ESTIMATED 38 PERCENT OF DEVELOPMENT LOANS ARE NOW USED FOR PURCHASE OF LOCAL CURRENCIES TO FINANCE ACTIVITIES WITHIN RECIPIENT COUNTRIES. LOCAL COST FINANCING ESSENTIALLY ENTAILS PROVISION OF UNTIED ASSISTANCE BOTH AS TO SOURCE OF PROCUREMENT AND COMMODITY CLASSIFICATION. INGERSOLL

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